

# Chapter 6

## Education – LEA Block

### *The Current System*

75. The LEA block currently consists of two main sub-blocks: one for LEA central functions and one for Youth and Community provision. The LEA central functions block distributes funding on a mixture of resident pupils and pupils in the authority's schools since local authorities have different responsibilities towards both sets of pupils. The formula includes basic amounts per pupil and resident pupil, which are the same for all authorities and applies top ups for deprivation, population sparsity - to allow for the higher costs of home to school transport - and area costs. There is also a fixed cost element that is the same for each authority to recognise that smaller LEAs cannot take advantage of economies of scale, and a pensions element to recognise the variation in the costs of pension provision for staff formerly employed at FE colleges.

76. The Youth and Community formula uses the resident population aged 13 to 19 as the client group and applies a deprivation top up using Income Support and secondary ethnicity data and then an area cost top-up.

### *The New System*

77. The formulae are still quite new and we propose only two changes apart from updating the sparsity data by using the 2001 Census information. We do not propose to introduce projections for the client group of the LEA central functions block because DfES do not believe that it is possible to produce sufficiently accurate projections both for school pupil numbers and for resident pupil numbers. We plan to continue using historical data for this block. This would, however, extend the time-lag in 3 year settlements.

### *Youth and Community*

78. The current formula for this block is given below.

#### *Basic amount*

<b>YOUTH AND COMMUNITY BASIC AMOUNT</b>	£80.40
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*Top-ups*

**YOUTH AND COMMUNITY DEPRIVATION TOP-UP** £301.87 multiplied by **CHILDREN OF INCOME SUPPORT /INCOME BASED JOBSEEKER'S ALLOWANCE CLAIMANTS ABOVE THRESHOLD**

**YOUTH AND COMMUNITY ETHNICITY TOP-UP** £96.30 multiplied by **SECONDARY LOW ACHIEVING ETHNIC GROUPS ABOVE THRESHOLD**

79. The full formula used to calculate the Youth and Community element is:

<b>Youth and Community</b>	
(a)	<b>POPULATION AGED 13 TO 19</b> multiplied by the result of: <b>YOUTH AND COMMUNITY BASIC AMOUNT; plus</b> <b>YOUTH AND COMMUNITY DEPRIVATION TOP-UP; plus</b> <b>YOUTH AND COMMUNITY ETHNICITY TOP-UP</b>
(b)	The result of (a) is multiplied by <b>AREA COST ADJUSTMENT FOR EDUCATION;</b>
(c)	The result of (b) is then multiplied by the scaling factor given in Annex F for the <i>Youth and Community Services</i> sub-block.

80. There are no plans to change this formula.

***Local Education Authority Central Functions***

81. The current formula for this block is given below.

**PUPILS BASIC AMOUNT** £114.62

**RESIDENT PUPILS BASIC AMOUNT** £114.05

*Top-ups*

**PUPILS DEPRIVATION TOP-UP** £194.37 multiplied by **CHILDREN OF INCOME SUPPORT /INCOME BASED JOBSEEKER'S ALLOWANCE CLAIMANTS ABOVE THRESHOLD**

**SPARSITY TOP-UP** £145.63 multiplied by **WARD SPARSITY**

**RESIDENT PUPILS DEPRIVATION TOP-UP** £194.37 multiplied by 0.66 multiplied by **CHILDREN OF INCOME SUPPORT /INCOME BASED JOBSEEKER'S ALLOWANCE CLAIMANTS ABOVE THRESHOLD**

*Fixed cost amount*

**LEA FIXED COST AMOUNT**            £425,000.00

82. The full formula used to calculate the Local Education Authority Central Functions element is:

<b>Local Education Authority Central Functions</b>	
(a)	<b>PUPILS AGED 3 TO 18</b> multiplied by the result of: <b>PUPILS BASIC AMOUNT</b> ; plus <b>PUPILS DEPRIVATION TOP-UP</b>
(b)	<b>RESIDENT PUPILS AGED 3 TO 18</b> multiplied by the result of: <b>RESIDENT PUPILS BASIC AMOUNT</b> ; plus <b>SPARSITY TOP-UP</b> ; plus <b>RESIDENT PUPILS DEPRIVATION TOP-UP</b>
(c)	The result of (a) and (b) is multiplied by <b>AREA COST ADJUSTMENT FOR EDUCATION</b> ;
(d)	The result of (c) is then added to the sum of <b>LEA FIXED COST AMOUNT</b> and <b>RESIDUAL COLLEGE LECTURERS PENSIONS</b> ;
(e)	The result of (d) is then multiplied by the scaling factor given in Annex F for the <i>Local Education Authority</i> sub-block.

**2001 Census**

83. As with other parts of the formulae we are currently still using data derived from the 1991 Census within the LEA Central Functions sub-block. We are proposing to substitute a similar measure to the existing sparsity variable derived from the 2001 Census. The sparsity top-up would be as follows:

**SPARSITY TOP-UP**            £151.91 multiplied by **WARD SPARSITY**

***Residual college lecturer pensions***

84. We propose to remove the specific part of the calculation that deals with FE residual pensions (the responsibility for Further Education colleges was transferred away from local authorities in April 1993, but pension liabilities remained). This distributes £30m according to planned spend as recorded by authorities in their Section 52 budget returns to DfES. However, DfES and we are concerned that in some cases authorities are showing significant increases in this expenditure even though it is covering historic, not new commitments. We generally prefer to avoid using planned spending data in formulae because of the obvious scope for manipulation. Therefore we consider it better if this formula does not use any planned spending data at all.

85. The proposed new formula is given below.

*Basic amounts*

**PUPILS BASIC AMOUNT** £116.01

**RESIDENT PUPILS BASIC AMOUNT** £115.43

*Top-ups*

**PUPILS DEPRIVATION TOP-UP** £196.73 multiplied by CHILDREN OF INCOME SUPPORT /INCOME BASED JOBSEEKER'S ALLOWANCE CLAIMANTS ABOVE THRESHOLD

**SPARSITY TOP-UP** £147.40 multiplied by WARD SPARSITY

**RESIDENT PUPILS DEPRIVATION TOP-UP** £196.73 multiplied by 0.66 multiplied by CHILDREN OF INCOME SUPPORT /INCOME BASED JOBSEEKER'S ALLOWANCE CLAIMANTS ABOVE THRESHOLD

*Fixed cost amount*

**LEA FIXED COST AMOUNT** £425,000.00

86. The full formula used to calculate the Local Education Authority Central Functions element is:

<b>Local Education Authority Central Functions</b>	
(a)	<b>PUPILS AGED 3 TO 18</b> multiplied by the result of: <b>PUPILS BASIC AMOUNT; plus</b> <b>PUPILS DEPRIVATION TOP-UP</b>
(b)	<b>RESIDENT PUPILS AGED 3 TO 18</b> multiplied by the result of: <b>RESIDENT PUPILS BASIC AMOUNT; plus</b> <b>SPARSITY TOP-UP; plus</b> <b>RESIDENT PUPILS DEPRIVATION TOP-UP</b>
(c)	The result of (a) and (b) is multiplied by <b>AREA COST ADJUSTMENT FOR EDUCATION;</b>
(d)	The result of (c) is then added to the <b>LEA FIXED COST AMOUNT;</b>
(e)	The result of (d) is then multiplied by the scaling factor given in Annex F for the <i>Local Education Authority</i> sub-block.

## ***LEA damping***

87. There is a case for removing this residual formula damping, which has been running since the last review. It no longer greatly affect any authority's total FSS, and is an anomaly since damping is generally provided by the grant floor. On the other hand, there is still some distributional change from the 2003/04 review to come through. We would welcome views as to whether separate damping arrangements should remain for this block.

## ***Summary of options***

### *Option EDU1*

Updating the sparsity data from the 1991 Census to the 2001 Census.

### *Option EDU2*

Removing the direct funding of residual college lecturer pensions.

### *Option EDU3*

Removing the LEA Damping block.

88. Please note that options EDU2 and EDU3 can be combined.

## ***Questions***

89. We would like your views on:

**Question 4: Do you think we should remove the element for Further Education residual pensions?**

**Question 5: Do you think the LEA damping block should be removed?**